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Hong Kong

Promotion Opportunities

Agricultural Export Opportunities Update - May 2000

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Report Highlights:

Hong Kong's foreign exchange reserves stood at US\$93.80 billion at the end of March 2000.

The volume of retail sales grew by 13.7% in Jan-Feb 2000.

Unemployment rate edged down to 5.6% for Jan-Mar 2000.

Inflation, in terms of CCPI, declined by 5.0% during the year ending March 2000.

The prime lending rate was raised to 9% on March 27, 2000.

The number of tourist arrivals grew by 13% in Jan-Mar 2000.

Total exports grew by 26.4% in March 2000, while imports expanded by 25.9%.

Includes PSD changes: No

Includes Trade Matrix: No

Trade Report

Hong Kong [HK1], HK

Agricultural Export Opportunities Update

May 15, 2000

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SECTION 1 : MARKET IN BRIEF

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(Source : Hong Kong Trade Development Council)

SECTION 2 : KEY MARKET INFORMATION**1. The "Southern Island" Supermarket Scene: PARKnSHOP In, Market Republic Out**

PARKnSHOP, one of the two largest supermarket chains in Hong Kong, returned after an absence of several years to the expatriate-thick "Southern Island" (Stanley/Tai Tam/Repulse Bay) region of Hong Kong Island with the opening of its first SuperStore in Stanley on April 15, 2000. The Stanley Superstore is located in a new upscale shopping center and has been designated as PARKnSHOP's flagship American products store, featuring a wider variety of U.S. and other upscale food products - both Asian and Western - than its other stores. In addition to featuring most of the 250+ new products recently introduced from the United States, it also stocks an exclusive line of fresh U.S. foods for the

first time in Hong Kong, including whole roasting chickens, fresh pork ribs and loins, refrigerated prepared meats and an expanded line of fresh produce including organic products. Co-located with the Stanley SuperStore are other A.S. Watson retail operations such as a Balcony Café, a Swiss Bakery and a Watson's Wine Cellar offering a wide range of wine from all over the world.

Meanwhile, PARKnSHOP's main competitor in the "Southern Island" U.S. foods market, Market Republic, closed its sole retail outlet in Tai Tam in late April on short notice and has not announced specific plans for future retail operations. In terms of product variety and quality, Market Republic was the market leader in Hong Kong for U.S. foods during the past 4 years of its existence, however, it struggled constantly with relatively low turnover due to a remote location in the heart of Hong Kong's American community.

2. Internet Usage in Hong Kong Estimated at 20-30% of Population...and Growing Rapidly

Hong Kong Internet service providers estimate that the number of Internet account holders reached 2 million - or close to one in three people in Hong Kong - during the month of March. The number of standard dial-up account holders has been growing at rates between 25,000 and 170,000 monthly since last November. Even when the effect of multiple account-holders is discounted, the number of users is estimated at a minimum of 20 percent of the population.

While E-commerce currently accounts for only an estimated 0.2 percent of Hong Kong's GDP, the Hong Kong Government has set in motion a number of key initiatives designed to spur Internet usage and technology. The Cyberport development is intended to house a number of international high-tech companies together in an environment ideally equipped and suited for development of Internet designs and technologies. In January the Hong Kong Government enacted legislation to establish legally binding digital signatures, allowing for electronic transactions at high levels of security. Lastly, seed money of HK\$750 million is being made available to small and medium-sized tech ventures through the Innovation and Technology Fund.

3. The Opening of Starbucks Coffee

Starbucks Coffee opened its first two outlets in Hong Kong on May 2 and 3 and plans to open 12 more stores in the next year with joint-venture partner Maxim's Caterers. As Hong Kong's leading catering company, Maxim's Caterers has almost 300 outlets including Chinese, Western and Japanese restaurants, fast food outlets and cake shops in Hong Kong. The new store openings allow Hong Kong to become Starbucks Coffee International's 14th overseas market. Starbucks' arrival in Hong Kong follows the company's rapid expansion throughout the rest of the region, with stores already operating in mainland China, Taiwan, Thailand, South Korea and Singapore, among 2,600 outlets worldwide.

4. Hong Kong's Open Forum to Discuss GM Food

The Hong Kong government organized two open fora, one on March 31, 2000 to discuss the safety of genetically modified (GM) foods and another on May 4, 2000 to discuss the labeling of GM foods. As part of a multi-faceted educational and consultation program on GM food conducted by the Hong Kong government, the open fora provided information to, and collected views from, the public. All speakers were from Hong Kong, coming from different sectors such as academia, government, consumer groups, Greenpeace, and the food industry. It appears that Hong Kong is moving toward labeling of GM foods, but key decisions about the timing, coverage (voluntary versus mandatory), and enforcement of standards remain to be made. The Hong Kong government committed earlier this year to the Legislative Council to conduct a feasibility study on GM labeling, which it is expected to submit later this year.

5. Proposal to Legitimize Parallel Imports in Hong Kong

The Hong Kong Government's Trade and Industry Bureau (TIB) has proposed to revise the existing Trade Marks Ordinance by incorporating a clause to specifically allow parallel imports in the Hong Kong market. A lack of specificity in current regulations has allowed parallel trade to take place in Hong Kong, but legally it has been considered a gray area. The TIB, Consumer Council and retail associations are in favor of the Clause on the grounds that prices will come down and consumers will have a wider choice of consumer goods. On the other hand, agents and licensees oppose parallel importation on the rationale that parallel channel imports may not measure up to shelf-life, product formulation and other Hong Kong-specific standards maintained for such goods distributed in Hong Kong by authorized agents and importers.

While most members of Hong Kong's Legislative Council support the liberalization of parallel imports, some have insisted that the importer's name be listed on parallel imports so that the origin of products can be traced for consumer protection purposes. The TIB and other legislators have opposed compulsory labeling of importers because it will increase costs and discourage parallel imports. The Legislative Council will vote on the proposal soon. It is expected that parallel imports will be allowed, but the fate of importer labeling is still undecided.

SECTION 3 : UPCOMING PROMOTIONAL ACTIVITIES/EVENTS

The promotional activities listed below are provided for informational purposes only. No endorsement should be implied unless specifically stated. Terms and conditions of participation are the responsibility of the organizer. Contact the organizer directly for additional information.

A. TRADE SHOWS

June 20-23, 2000: Food China 2000, China International Exhibition Center, Beijing, China. The seventh International Food & Drinks Exhibition. Organizer: Hong Kong Exhibition Services, Unit 901-902, 9F Shui Lam Building 23 Luard Road, Wanchai, Hong Kong, Tel: (852) 2804-1500, Fax: (852) 2528-3103. U.S. contact: Robert Chang, Commerce Tours International, Tel: (415) 433-3072; Fax: (415) 433-2820.

August 25-27, 2000: Lifestyle 2000, Hong Kong Convention and Exhibition Center, Hong Kong. Lifestyle is a consumer retail event targeting visitors from middle to upper income brackets, aged 25 to 45. One section of the exhibition is designated as food exhibition section. Organizer: Publicitas Promotions Network, 2/F Chung Nam Building, 1 Lockhart Road, Wanchai, Hong Kong. Tel: (852) 2527-3525; Fax: (852) 2528-3260.

September 12-15, 2000: Food & Hotel South China 2000, Guangzhou Foreign Trade Center, Guangzhou, China. The International Food, Drink, Supermarket, Hotel and Catering Equipment and Supplies Exhibition. Organizer: Hong Kong Exhibition Services Ltd., Unit 901-902, 9F Shui Lam Building 23 Luard Road, Wanchai, Hong Kong, Tel: (852) 2804-1500, Fax: (852) 2528-3103. U.S. contact: Robert Chang, Commerce Tours International, Tel: (415) 433-3072; Fax: (415) 433-2820.

May 8-11, 2001: Hofex'01, Hong Kong Convention & Exhibition Center, Hong Kong. The 9th Asian International Exhibition of Food & Drink. Since the first show in 1987, Hofex Food & Drink has become the region's number one biannual event for the food and drink industry. Hofex also runs concurrently with the Asian International Seafood Show, Wine & Spirits Asia'01. Organizer: Hong Kong Exhibition Services, Unit 901-902, 9F Shui Lam Building 23 Luard Road, Wanchai, Hong Kong, Tel: (852) 2804-1500, Fax: (852) 2528-3103. U.S. contact: Robert Chang, Commerce Tours International, Tel: (415) 433-3072; Fax: (415) 433-2820.

B. OTHER PROMOTION ACTIVITIES

1. Agri-business Social

Following the success of the first Agri-business social gathering organized by the Agricultural Trade Office on March 23, the second one, with the sponsorship of the Alaska Seafood Marketing Institute, will be held on May 25, 2000. We are expecting a turnout of about 50 food industry people who will come to have a drink after work and share market information in a casual manner.

2. Hong Kong Importers' Directory

ATO is preparing to print an importers' directory which will include all key food importers, retailers and caterers in Hong Kong. It will be a perfect guide for U.S. exporters who are interested in selling their products to Hong Kong. The directory will be published in the summer.

3. U.S. Exporters' Directory On-line

To better provide U.S. food exporters' information to Hong Kong importers, ATO is going to link U.S. exporters' directory on-line to its homepage.

4. ATO Promoting U.S. Trade Shows

In recent months, ATO helped promote to Hong Kong importers three U.S. trade shows, the International Boston Seafood Show, the FMI Show and the National Restaurant Association (NRA) Show, by distributing promotional leaflets. Also, ATO helped arrange hotel bookings and plant visits for Hong Kong importers who are going to the shows.

SECTION 4 : OTHER INFORMATION**1. Presidential PNTR Mission to Hong Kong**

USDA Secretary Dan Glickman led a Presidential Mission of 4 U.S. Congressmen and the Governor of North Dakota on a visit to Hong Kong April 28-30, 2000 as part of a Permanent Normal Trade Relations fact-finding trip to China. The delegation met with Chief Executive Tung Chee-hwa, other senior Hong Kong Government officials and key business leaders and exchanged views on the impact on trade, human rights in China and U.S. workers if the U.S. Congress were to approve PNTR status for China.

2. Under Secretary Schumacher's Visit to Hong Kong

Under Secretary August Schumacher came to Hong Kong on April 7-9, 2000 promoting U.S. agricultural export interests. The ATO organized a reception, meetings with Hong Kong government officials, food industry leaders, a visit to the Wellcome Fresh Food Processing Center and a tour of a PARNnSHOP SuperStore conducting a U.S. foods promotion.

3. The ATO and Hong Kong Cooperators have scheduled bi-monthly Cooperator meetings as follows:

July 6, 2000

September 7, 2000

November 2, 2000

Unless stated otherwise, all meetings are held in the Conference Room of the U. S. Agricultural Trade Office in Hong Kong, 18th Floor, 33 Garden Road. All cooperators are welcome and urged to attend.

4. Hong Kong Government Official's visit to the U.S.

An official from the Hong Kong Food and Environmental Hygiene Department has requested ATO/HK to help arrange a visit to the U.S. to learn about the USDA Food Safety and Inspection Service's HACCP program for animal slaughtering, processing and retailing. The ATO has helped to establish contact between FSIS foreign visitor coordinators and the Hong Kong official. The trip will take place in the first week of June.

SECTION 5: LIST OF MARKET BRIEFS & REPORTS AVAILABLE

The ATO prepares or commissions market overviews on selected food & beverage topics to assist U.S. exporters in identifying potential market opportunities and to help effectively compete in the Hong Kong market. Market overviews are available to companies and individuals through the ATO Hong Kong or the Trade Assistance and Promotion Office of the USDA Foreign Agricultural Service (TAPO):

Phone: (202) 720-7420

Fax: (202) 690-4374

Market overviews currently available on are as follows:

Current market overview topics

Beer (AGR# HK9020)

Bourbon (AGR# HK9032)

Cakes, Cookies and Crackers (AGR# HK9049)

Canned Food (AGR# HK9061)

Cheese (AGR# HK9079)

Chocolate & Sugar Confectionery (AGR# HK9081)

Cooking Oils and Fats (AGR# HK9084)

Dairy Products (AGR# HK9089)

Dried Fruits and Tree Nuts (AGR# HK9085)

Fast Food (AGR# HK9086)

Food Retailing (AGR# HK9117)

Fresh Fruit & Vegetables (AGR# HK9088)

Frozen Fruit & Vegetables (AGR# HK9090)

Frozen Desserts (AGR# HK9021)

Fruit Juice (AGR# HK9023)

Herbs, Spices and Ginseng (AGR# HK9024)

Hong Kong's Food Service (AGR# HK9033)

Meat (AGR# HK9054)

Microwaveable Foods (AGR# HK9055)

Poultry & Egg (AGR# HK9093)

Pet Foods (AGR# HK9060)

Seafood (AGR# HK9062)

Snack Foods (AGR# HK9074)

Sauces, Relishes and Condiments (AGR# HK9075)

Soft Drinks (AGR# HK9077)

Wine (AGR# HK9080)

-8th Largest Export Market of U. S. Ag Commodities

**Signifies date of last revision.

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fax or e-mail your comments to ATO Hong Kong at the above number and/or address.